PHILIP MORRIS U.S.A. INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, NY 10017

TO: Bob Mikulay DATE: January 17, 1996

FROM: Jose Fontanez

SUBJECT: MARLBORO MUSIC TALENT PROMOTERS BID WAIVER
FOR: GLENN SMITH PRESENTS INC.
HENRY CARDENAS & ASSOCIATES
SUMMITT MANAGEMENT CORPORATION

Community Event Marketing will once again be implementing and executing the Marlboro Music program. Marlboro Music will be utilized as an umbrella vehicle to reach YAS through presentations of different genres of music.

The different genres and talent promoter support are as follows:

- Rock/Country - Glenn Smith Presents
- Tropical salsa, tejano, Mex-Tex, and banda - Henry Cardenas & Associates
- Rhythm & Blues - Summitt Management

Presentations of Marlboro concerts will be executed at these different venues:

- Racing events
- Local community festivals
- State and county fairs
- Military installations
- Internal selected Hispanic markets with a free-standing concert

The talent promoters concert support is as follows:

- Glenn Smith Presents 15 Dates
- Henry Cardenas & Assoc. 9 Dates
- Summitt Management 5 Dates

Booking Promoters Background:

Glenn Smith Presents Inc.:

Glenn Smith Presents Inc. (GSP) is more than just a promoter or producer. GSP specializes in concert management, more specifically outdoor and unique environments. GSP has booked talent for Marlboro Music since 1988 which includes state fairs and military bases nationwide, Cuba, Puerto Rico and Hawaii.

To date, GSP has managed concerts in over 25 states (Hawaii and Alaska) and 8 foreign countries, with several million combined attendance per year.

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Source: https://www.industrydocuments.ucsf.edu/docs/fgpn0004

An overview of past events include:

- Exclusive promoter of the Garth Brooks Concert at Texas Stadium with attendance totaling over 200,000.
- Producer of the concert stage sponsored by Miller Beer at the State Fair of Texas.
- Produced six previous tours for the Pacific AirForce for performances in Alaska, Hawaii, Korea, Japan Okinawa, the Philippines and Guam.
- Produce the largest "Welcome Home" event for the Desert Storm troops at Camp Lejeune Marine Base.

GSP has and will continue to succeed because of their honesty, integrity, innovation and the belief that each entity involved in the concert industry has equal importance, most especially our audience.

Henry Cardenas & Associates:

Henry Cardenas is the leading promoter of Hispanic concerts and events throughout the United States and South America. Mr. Cardenas has booked top quality Hispanic entertainment, worked with Corporate Sponsors to provide an overall marketing plan for each concert event.

Mr. Cardenas is the exclusive talent buyer for all Hispanic concert events at Radio City Music Hall. Mr. Cardenas is also the most influential Hispanic promoter in Chicago and is the sole producer of Viva Mexico, Pan American Festival , Primavera and Mexican Dances that feature top Mexican headliners.

Mr. Cardenas has strong relationships with top artists within the tropical salsa, banda, Mex-Tex, and tejano music genres.

Over the years, Mr. Cardenas has secured top quality Hispanic talent for the following corporations: Pepsi, Budweiser and Proctor & Gamble

Billboard Magazine has recognized Mr. Cardenas as the top Hispanic event producer in the United States. All of the Marlboro Music Hispanic concerts since 1994 have been huge successes due to the talent recommendation of Mr. Cardenas. This success enables Marlboro to reach the Hispanic consumer with a value statement and leadership position.

Summitt Management Corp.:

SMC since 1986 has built a reputation as one of the leading event management companies. SMC has continually obtained excellent results for major corporations by successfully producing and managing events that capture national and international attention.

SMC has entertained America by producing and/or managing the following: Southern Heritage Classic, Memphis Blues Festival, Seagram's Gin "Taste of the Blues" National Tour, Martell Cognac Presents "The Art of Harmony" National Tour, Mardi Gras (Zulu Coronation Ball and Parade), Mississippi Delta Blues Festival, San Francisco Blues Festival and Benson & Hedges Blues and Rhythm.

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Partial client list are: City of Memphis (Tennessee), Seagram's Gin, Crown Royal, Coca-Cola, Martell Cognac and House of Seagram.

SMC has worked with the following artists: Michael Jackson, Luther Vandross, Al Jarreau, B.B. King, The O'Jays, Regina Belle, Stephanie Mills, The Isley Brothers, Isaac Heyes, Lou Rawls, Nancy Wilson, Bill Cosby and Phyllis Diller.

Other areas that SMC involves themselves with are: Co-producers of Island Events - Mud Island Amphitheatre, media relations, public relations, event consultants, business managers, contract negotiations and artist relations.

Talent Promoter Responsibilities:

- Provide the personal services of each promoter, which is the essence of each agreement;
- Conduct research to identify entertainment which will receive the best commercial acceptance at each concert; Marlboro will then select the entertainment for each show;
- Unless otherwise directed by Marlboro, promoter will enter into performance agreements with artist upon Marlboro approval;
- All performance agreements executed by promoters must be immediately assignable to Marlboro upon Marlboro request;
- Attend presentations/planning meetings with Marlboro representatives and the following officials in connection with each concert;
  - Military command
  - Morale Recreation and Welfare Department
  - State fair management personnel
  - Public Affairs Military/State Fair Department
  - Military/State Fair Civil Engineering and Maintenance Department
- Promoters will ensure that Marlboro will have the rights to utilize artist for media days, interviews, and hospitality sessions;
- Promoters will assume complete responsibilities for securing all music licensing rights and pay all required fees and royalties, i.e. ASCAP and BMI with respect to each concert; and,
- Promoters will ensure the rights from artists to produce a videotape or audio recording of each concert they will assist and cooperate with Marlboro and will use all reasonable efforts to facilitate the development and production of the videotape or audio recording.

Attachment: __ Cost Analysis

Approval:

Your continued support is greatly appreciated. Please initial and return this document, if you agree this program does not require the bidding process. Thank you.

Please initial here: _____

cc: I. Broeman, B. Colby, D. Hingst, M. Mahan, K. McGrath, S. Sampson

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MARLBORO MUSIC TALENT
PROMOTERS COST ANALYSIS
1995 vs. 1996

Outline below are the cost analysis for each talent promoter:

Glenn Smith Presents:

	1995	1996	+/-	Reason
Fee:	$140,000	$135,000	-$5,000	
Talent Budget:	$1,200,000	$1,505,000	+$305,000	See Below *
Expenses:	$50,000	$70,000	+20,000	Additional Talent
Advertising:	$100,000	$100,000	Even	
Total:	$1,490,000	$1,810,000	+$320,000	Talent for Concert
Percent of Fee:	10.4%	8%	-2.4%	
Number of Concerts:	16	15	-1	One Concert
Cost Per Concert:	$93,125	$120,666	+27,541	Higher level of talent and expenses

* Additional funding to secure higher caliber middle and closing acts.

Henry Cardenas and Associates:

	1995	1996	+/-	Reason
Fee:	$55,000	$52,200	-$2,800	
Talent Budget:	$1,000,000	$905,000	-$95,000	Less one concert
Expense:	$65,000	$50,000	-$15,000	
Total:	$1,120,000	$1,007,200	-$112,800	
Percent of Fee:	5.2%	5.5%	+.3%	
Number of Concerts:	10	9	-1	
Cost Per Concert:	$112,000	$111,911	-$89	Multiple dates with artists

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Source: https://www.industrydocuments.ucsf.edu/docs/fgpn0004

Summitt Management Corporation:

	1995	1996	+/-	Reason
Fee:	$26,000	$32,500	+$6,500	Additional Date
Talent Budget:	$530,000	$625,000	+$75,000	Talent cost
Expenses:	$35,000	$35,000	Even	
Total:	$611,000	$692,500	+81,500	Additional Date
Percent of Fee:	4.4%	4.9%	+.5%	
Number of Concerts:	4	5	+1	
Cost Per Concert:	$152,750	$138,500	-$14,250	Additional Date and expenses incurred with artists

It is important to recognize the fact that the music industry standard fee for a concert producer and/or promoter is 20%. If the promoter pays in full for the talent and production, they typically will take 20-25% of the gross ticket sales revenues for the show. The lowest percentage a promoter will accept is 18%. Producers that are paid a fee to produce a show or event charge a fee based on 20% of the total cost of talent and production. For example, if talent and production costs are $30,000 for the show, the promoter will receive a fee of $6,000 to produce that show. The lowest fee a promoter will get is 15% of the cost. Their fees are not published, but are standard industry practice and are discussed routinely at annual meetings of the International Entertainment Buyers Association and the National Association of Talent Directors. Both of these are professional organizations representing the talent and touring industry. (See attached memo)

As you can clearly see, our fees to these promoters are way below industry standards. These promoters are also well verse on issues regarding the tobacco industry. They without hesitation support our position and comply with all corporate affairs requests.

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